



**UNITED STATES HOUSE OF REPRESENTATIVES
OFFICE OF THE MAJORITY WHIP
THE HONORABLE JAMES E. CLYBURN (SC-06)**

THE WHIP PACK

WEEK OF MAY 5, 2008

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Bill Text and Background for the Week of May 5, 2008

- H.R. 5818 – Neighborhood Stabilization Act of 2008
- H.R. ____ - American Housing Rescue and Foreclosure Prevention Act of 2008

H.R. 5818 – NEIGHBORHOOD STABILIZATION ACT OF 2008 (*Rep. Waters – Financial Services*) (*Subject to a Rule*)

Bill Text: [HTML Version](#), [PDF Version](#)
[Bill Summary and Status](#)

Rules Committee Meeting: [H.Res. 1174: Rule and Committee Report](#), [Special Announcement](#), [Amendment Deadline: 10am Tuesday 5/6](#)

Committee: [Committee on Financial Services](#)

Committee Staff Contact: 5-4247

SUMMARY OF AMENDMENTS PROPOSED TO BE MADE IN ORDER

(summaries derived from information provided by sponsors)

1. [Waters \(CA\)/Frank \(MA\)](#): The amendment provides for direct allocations to qualified metropolitan cities and qualified urban counties, makes the definition of operating expenses consistent with other HUD programs, and caps purchase price under the loan program at the current appraised value of the foreclosed property. (10 minutes)
2. [Capito \(WV\)](#): The amendment directs the funds to be administered through the Office of Community Planning and Development of the Department of Housing and Urban Development rather than directing the Secretary to create a new program within the Department. (10 minutes)
3. [Mahoney \(FL\)](#): The amendment clarifies that nothing in this Act shall affect the right to bear arms under the Second Amendment to the Constitution.(10 minutes)
4. [Hensarling \(TX\)](#):The amendment would strike all references in the bill to providing grants to states, but leave the underlying loan program intact. Money from the grant portion of the bill (\$7.5 billion) would be re-directed to the loan portion (for a total of \$15 billion in loans). (10 minutes)
5. [Kucinich \(OH\)](#): The amendment modifies the purposes of the legislation to emphasize the increasing rates of vacant and abandoned properties, and changes the state-to-local jurisdiction funding formula to ensure that up-to-date vacancy statistics are used to allocate the funds. (10 minutes)
6. [McCotter \(MI\)](#):The amendment directs States using federal loans and grants for housing rehabilitation to give priority to veterans, members of the Armed Forces on active duty, members of the National Guard or Armed Forces reserves, school teachers, and emergency responders when reselling the rehabilitated property. (10 minutes)
7. [Altmire \(PA\)](#): The amendment clarifies that illegal immigrants shall be ineligible for financial assistance under the bill. (10 minutes)

LEGISLATION AT A GLANCE:

SUMMARY OF THE NEIGHBORHOOD STABILIZATION ACT OF 2008, H.R. 5818

H.R. 5818 establishes a \$15 billion loan and grant program for the purchase and rehabilitation of owner-vacated, foreclosed homes. HUD allocates funds to States. \$7.5 billion of the funds would be for loans, and the other \$7.5 billion would be for grants.

Distribution Formula: Each State's loan and grant authority is based on the State's percentage of nationwide foreclosures and the number of subprime loans delinquent over 90 days over the last four calendar quarters, adjusted by a HUD-established index to account for the State's relative median home price. However, the median home price factor may not increase any State's share by more than 25%.

Suballocation Requirement: States must allocate grants and loan authority to (1) the 100 largest cities, (2) the 50 largest urban counties in the nation, and (3) any other city with a population over 50,000 with a foreclosure rate at or above 125% of the statewide rate, based on relative foreclosure and subprime loan delinquency rates. However, if a suballocation would be less than \$10 million, the State may allocate less than that amount to the city or county.

Loan Program: Loans are non-recourse and zero-interest to finance acquisition and rehabilitation costs. The federal government would be paid back from resale or, in the case of rental properties, refinance proceeds. Loans for homeownership properties must be repaid within 3 years. For rental properties, the maximum loan term is 5 years. In addition, the federal government would receive up to 50% of any appreciation a property owner realizes at resale.

Grant Program: Grants may be used to pay property taxes and insurance during the pre-occupancy phase; operating costs such as property management fees; administrative and planning costs; incidental costs involved in acquiring qualified foreclosed housing such as reasonable closing costs; rehabilitation costs; and, in limited circumstances, demolition costs. However, funds may not be used to demolish any public housing.

Income Targeting: Homes purchased for resale must be sold to families at or below 140% of area median income (AMI). Rental properties must serve families at or below AMI. At least 50% of the grant money must be targeted to house families at or below 50% of AMI, and not less than half of this money must target families at or below 30% of AMI (HUD may waive the latter requirement).

House Report 110-616:

[HTML Version](#), [PDF Version](#)

Full Committee on Financial Services Mark-up:

[Markup of H.R. 5818](#)>> Neighborhood Stabilization Act of 2008

April 23, 2008 — Full Committee on Financial Services

- [National Journal Report](#): House Financial Affairs Authorizes \$15 Billion In Loans For Foreclosed Housing
- [Archived Webcast](#)

Summary of Committee Votes:

- [Chairman Frank and Chairwoman Waters Manager's Amendment](#) — Makes technical and substantive changes. **Adopted by Voice Vote.**
- [Rep. Miller, D-N.C. City Eligibility Amendment](#) — sets the eligibility requirement for cities as having a minimum population of 50,000 and a foreclosure rate that is at least 25 percent higher than the state average. **Adopted by Voice Vote.**
- [Rep. Perlmutter, D-Colo. Energy Efficiency Improvements Amendment](#) — Requires allocated funds to be used to make rehabilitated or new homes more energy efficient and provide renewable energy sources. **Adopted by Voice Vote.**
- [Reps. Capuano, McCarthy and Carson Public Servant Requirement Amendment](#) — Requires state-allocated funds to give program preference to first responders, veterans or nurses serving underserved areas. It also would provide preference for housing for public school teachers or workers employed by the city in which the home is located. **Adopted by Voice Vote.**
- [Rep. Wilson, D-Ohio Home Demolition Amendment](#) — Authorizes funding for demolition of foreclosed housing that has deteriorated past the point of rehabilitation or has been judged unsafe. The amendment also clarifies that grants or loans under the bill may not be used for the demolition of public housing. **Adopted, as Amended, by Voice Vote.**
 - [Rep. Price, R-Ga. Strike Public Property Requirement Amendment to the Wilson Amendment](#) — Eliminated the provision that would have required the land of any demolished property be immediately converted to public property. **Adopted by Voice Vote.**
- [Reps. Wilson, LaTourette, and Pryce Fund Allocation Amendment](#) — Establishes a formula for grant share or foreclosure loan share. If any fee adjustment would result in the grant amount or loan authority amount for any state that exceeds 25 percent more than the average grant or loan share for a state, all other states would become eligible for an expansion of grant or loan authority amounts. No increase would be permitted that would push any other state over the 25 percent more than average level. Any states that may have their funding reduced because of this provision would have priority preference if the funds are reallocated again. **Adopted by Voice Vote.**
- [Rep. Price, R-Ga. Paygo Amendment](#) — Would have applied pay-go rules to the program. **Rejected 26-34: R 26-1; D 0-33; I 0-0 (FC-86).**
- [Rep. Hensarling, R-Texas Grant Elimination Amendment](#) — Would have eliminated the use of grants as a method to allocate funds in the legislation. **Rejected 25-37: R 25-3; D 0-34; I 0-0 (FC-87).**
- [Rep. Hensarling, R-Texas Matching Funds Amendment](#) — Would have required states who receive grants from the bill to match the amount allocated dollar for dollar. **Rejected 28-36: R 28-1; D 0-35; I 0-0 (FC-88).**
- [Rep. Hensarling, R-Texas Penalty Clarification Amendment](#) — Clarified that all loan or grant recipients, not just states that receive funding, could be charged with the misuse of funds. **Adopted by Voice Vote.**

- [Rep. Hensarling, R-Texas Technical Clarification Amendment](#) — Struck one word: "materially" to better clarify those eligible for penalties due to the misuse of funds. **Adopted by Voice Vote.**
- [Rep. Hensarling, R-Texas Downpayment Requirement Amendment](#) — Prohibits the use of grant amounts for down payment assistance. **Adopted by Voice Vote.**
- [Rep. McHenry, R-N.C. Public Auction Amendment](#) — Would have required any homes acquired by grants or loans under the program be resold through public auction. **Rejected 24-40: R 24-4; D 0-36; I 0-0 (FC-89).**
- **Vote to Report:** Favorably Reported to the Full House, as Amended, by a Roll Call Vote of **38-26: R 3-26; D 35-0; I 0-0 (FC-90).**

CRS Reports:

[RL34423](#): Government Interventions in Financial Markets: Economic and Historic Analysis of Subprime Mortgage Options

[RL34232](#): Understanding Mortgage Foreclosure: Recent Events, the Process, and Costs

GAO Reports:

(TBA)

CBO Report:

[Cost Estimate](#): Ordered Reported by the Committee on Financial Services

Full Committee on Financial Services Hearings:

[Using FHA for Housing Stabilization and Homeownership Retention>>](#)

April 9, 2008 — Full Committee on Financial Services

- Member Statements: [Congressman Neugebauer](#), [Congressman Putnam](#)
- [Archived Webcast](#)

Witness Testimony:

- [The Honorable Sheila C. Bair](#), Chairman, Federal Deposit Insurance Corporation
- [The Honorable John C. Dugan](#), Comptroller, Office of the Comptroller of the Currency
- [The Honorable John M. Reich](#), Director, Office of Thrift Supervision
- [The Honorable Randall Kroszner](#), Board Member, Board of Governors of the Federal Reserve System
- [The Honorable Brian Montgomery](#), Assistant Secretary for Housing-Federal Housing Commissioner, United States Department of Housing and Urban Development
- [Mr. Brian Wesbury](#), Chief Economist, First Trust Advisors L.P.
- [Dr. Alan S. Blinder](#), Ph.D., Gordon S. Rentschler Memorial Professor of Economics and Public Affairs, Princeton University
- [Dr. Allen Sinai](#), Chief Global Economist, Strategist and President, Decision Economics, Inc.

[Using FHA for Housing Stabilization and Homeownership Retention>>](#)

April 10, 2008 — Full Committee on Financial Services

- Member Statements: [Congressman Carson](#), [Congressman Velazquez](#), [Congressman Bachus](#)
- [Archived Webcast](#)

Witness Testimony:

- [Mr. Thomas Daigle](#), AmeriCorps Member, Habitat for Humanity of Charlotte
- [The Honorable Martin O'Malley](#), Governor, State of Maryland
- [The Honorable Adrian M. Fenty](#), Mayor, District of Columbia
- [The Honorable Thomas M. Menino](#), Mayor, City of Boston
- [The Honorable Oscar B. Goodman](#), Mayor, City of Las Vegas
- [Mr. Doug Garver](#), Executive Director, Ohio Housing Finance Agency
- Mr. David C. Lizarraga, Chairman, US Hispanic Chamber of Commerce
- [Ms. Sheila Crowley](#), President, National Low Income Housing Coalition
- Mr. Hilary O. Shelton, Director, NAACP Washington Bureau
- [Mr. Victor Burrola](#), Director, Homeownership Network, National Council of La Raza

Organization Statements:

(TBA)

Administration Position:

(TBA)

Fact Sheets & Talking Points:

[H.R. 5818 Summary](#) — Committee on Financial Services

Press Releases, News Articles & Related Information:

[Frank Statement on Floor Consideration of the Neighborhood Stabilization Act](#),

Committee on Financial Services, May 2, 2008

[Financial Services Committee Approves FHA Housing and Homeowner Retention Act](#),

Committee on Financial Services, May 1, 2008

[Economic and Housing Rescue Legislation Introduced in the House](#), Committee on

Financial Services, April 17, 2008

[Neighborhood Stabilization Act of 2008 \(H.R. 5818\)](#), Committee on Financial Services,
April 17, 2008

Other Resources:

[Cosponsors of H.R. 5818](#)

H.RES. 1175 – PROVIDING FOR CONSIDERATION OF THE SENATE AMENDMENTS TO THE BILL (H.R. 3221) - AMERICAN HOUSING RESCUE AND FORECLOSURE PREVENTION ACT OF 2008

(Financial Services/ Ways and Means) (Subject to a Rule)

Rules Committee Meeting: [H.Res. 1175: Rule and Committee Report](#), [Special Announcement](#), [Meeting Time: 3:00pm Tuesday 5/6](#), [Text of Senate Amendment](#)
Committees: [Committee on Ways and Means](#); [Committee on Financial Services](#)
Committee Staff Contacts: Ways and Means-5-3625; Financial Services-5-4247

LEGISLATION AT A GLANCE:

Summary of Financial Services Committee Housing Rescue Package
(Amendments to the Senate Amendment to H.R. 3221)

Everyone—homeowners, lenders, neighborhoods, indeed our entire economy is worse off when a foreclosure occurs and when significant quantities of homes are foreclosed in a short amount of time. The Housing package we are considering this week is both rescue-oriented and forward-looking, responding directly to the current crisis facing middle class Americans while providing the tools to prevent a repeat of these problems. Modernizing the FHA and reforming the GSEs will provide crucial liquidity to our mortgage markets now, and also strengthen regulation and oversight for the future. These measures, which have bipartisan support, will begin to repair the economy, restore confidence in the markets, limit the damage to families and neighborhoods, and help build new affordable housing.

Amendment 1

Title I - The FHA Housing Stabilization and Homeownership Retention Act. Creates a voluntary FHA program to provide mortgage refinancing assistance to allow families to stay in their homes, protect neighborhoods, and help stabilize the housing market.

- **Program.** If the current lender agrees to take a substantial writedown on the existing mortgage, the FHA lender will pay off the current lender and issue to the borrower a new FHA-insured mortgage at that lower amount.
- **Profit Sharing.** To help defray the government's costs and prevent unjust enrichment (e.g., borrower flipping), will require the borrower to share with the government a substantial portion of any profits from selling or refinancing the house.
- **No Speculators.** Only owner-occupied primary residences will qualify for the program, which also contains protections to exclude persons who have committed mortgage fraud.
- **Risk Reduction.** To further protect the government:
 - the FHA will charge higher fees to build up a loss reserve;
 - the new FHA loan will substantially reduce the borrower's monthly payments, thus reducing default and foreclosure risk; and
 - in addition to other underwriting requirements, riskier borrowers must make at least 6 months of payments at the new rate before closing on the new FHA mortgage.

- **Sunset.** Program expires in 2 years (with possible 6-month extensions not to exceed 2 years).
- **Additional Provisions.** Creates an Office of Housing Counseling within HUD and authorizes additional FBI and DOJ funds to combat mortgage fraud.

Title II – FHA Modernization

- **Loan Limits.** Makes permanent the temporary FHA loan limit increases in the economic stimulus bill, setting FHA limits at the lower of (a) 125% of the local area median home price, or (b) 175% of the nationwide GSE conforming limit.
- **Fee Protections for lower income and lower credit borrowers.** Directs HUD to serve borrowers with slightly higher credit risk, raises fees to cover the additional risk, and provides for a refund if borrower makes five years of on-time payments
- **Reverse Mortgages.** Expands FHA reverse mortgage loan program by authorizing a nationwide loan limit equal to 132% of the current GSE conforming loan limit; capping and reducing loan origination fees; and adding consumer protections.
- **FHA Personal Property Manufactured Home Loans.** Modernizes and rejuvenates the FHA manufactured loan program for personal property manufactured homes.
- **FHA Condo and Manufactured Home Loans.** Makes changes to rules to make these loans more flexible, while retaining basic underwriting protections.
- **Maximum FHA Loan Term.** Extends the maximum FHA term from 35 to 40 years
- **Integrity of Appraisals.** Strengthens protections against inflated appraisals, authorizing penalties on parties to FHA loans who improperly try to influence appraisal values
- **Borrowers Lacking Sufficient Credit History.** Creates a pilot program for credit-worthy borrowers that lack a credit history through the normal credit reporting process.
- **Down Payment Simplification.** Simplifies the basic FHA down payment calculation, while generally preserving the current FHA loan to value (LTV) levels.
- **Foreclosed FHA Multifamily Properties.** Preserves the affordability of such properties, by requiring FHA to use accurate appraisals reflecting the cost of rehabilitating the units

Title III - Government Sponsored Enterprise (GSE) Reform. Includes the House-passed bill to reform prudential and mission oversight of Fannie Mae, Freddie Mac, and the 12 Federal Home Loan Banks (the “GSEs”).

- **Strong Independent Regulator.** Brings GSEs under a single independent regulator with broad safety and soundness powers, including conservatorship and receivership authority.
- **Enhanced Housing Mission.** Enhances Fannie Mae and Freddie Mac's housing mission through improvements in targeting of their affordable housing goals and duties in underserved markets.

- **New Affordable Housing Fund.** Establishes a new affordable housing fund modeled on the Affordable Housing Programs of the Federal Home Loan Banks.
- **Increased Loan Limits.** Makes permanent the increases in conforming loan limits included in the Economic Stimulus Act of 2008. Limits in high cost areas would be set based on area, rather than national prices, with conforming loan limits for each area set at 125% of the local area median (capped at 175% of the national median).

Title IV – Castle/Kanjorski Facilitation of Loan Modifications. HR 5579, The Emergency Loan Modification Act of 2008, adopted by the Financial Services Committee on April 23, 2008

- **Provides clarity for servicers,** consistent with existing servicing contracts, about their duties when making loan modifications for troubled mortgages.
- **Provides protection from investor lawsuits** to servicers who make specified long-term loan modifications.
- **Intended to encourage the use of loan modifications** to keep families in their homes.
- **Does not limit other loss mitigation efforts** by servicers, and does not prevent borrowers from pursuing claims against lenders, services, or others involved in the mortgage process.

Title V – Miscellaneous Housing Provisions

- **Protecting Disabled Veterans in Bankruptcy from Discrimination.** Ensures that a governmental unit that has a mortgage loan program may not deny a disabled veteran the benefits of such program because the veteran is or was a bankruptcy debtor. The Bankruptcy Code currently prohibits various forms of discrimination against bankruptcy debtors by governmental units and others, including a denial of a student grant, loan, loan guarantee, or loan insurance to someone because he or she is or was a bankruptcy debtor.
- **Public Welfare Investments.** The bill broadens the types of permissible public welfare investments for national and state member banks, restoring the pre-2006 standard for eligible types of affordable housing and community and economic development investments. It also grants thrifts similar authority to make public welfare investments of up to 15 percent of their capital and surplus.
- **Starrett City Housing Development.** The provision would help maintain affordability at Starrett City, a 5,880 unit development in East New York. It would convert the Section 8 and RAP contracts to a project-based section 8 contract, allowing the owners to get higher rents while protecting tenants from paying higher rents or being displaced.
- **Housing Preservation. Rep. Markey -** Makes certain low-income tenants of the Heritage Apartments in Malden, Massachusetts eligible for enhanced housing vouchers after prepayment of a HUD mortgage and subsequent ownership transfer of the property. **Rep. Pryce -** Allows for the transfer of Section 8 Housing Assistance Payment contracts in Columbus, Ohio.

Amendment 3

Brad Miller-LaTourette Amendment

- Affirms the right of states to prevent abusive foreclosure practices and to establish rules concerning the foreclosure process by clarifying that this Act, the National Bank Act and the Home Owner's Loan Act do not preempt state laws regulating the foreclosure of residential real property or the treatment of foreclosed property.

CRS Reports:

[RL33775](#): Alternative Mortgages: Causes and Policy Implications of Troubled Mortgage Resets in the Subprime and Alt-A Markets

[RL34423](#): Government Interventions in Financial Markets: Economic and Historic Analysis of Subprime Mortgage Options

Organization Statements:

(TBA)

Administration Position:

(TBA)

Fact Sheets & Talking Points:

[FHA Summary](#) — Committee on Financial Services

Press Releases, News Articles & Related Information:

[Financial Services Committee Approves FHA Housing and Homeowner Retention Act](#), Committee on Financial Services, May 1, 2008

[Economic and Housing Rescue Legislation Introduced in the House](#), Committee on Financial Services, April 17, 2008

H.R. 5720 – HOUSING ASSISTANCE TAX ACT OF 2008

LEGISLATION AT A GLANCE:

SUMMARY OF HOUSING ASSISTANCE TAX ACT OF 2008

The *Housing Assistance Tax Act of 2008*, is a revenue neutral bill that would provide needed tax relief to homebuyers and homeowners.

Assistance for Home Buyers and Home Owners. Under this bill, middle-class families would be eligible to receive a tax benefit that is equivalent to an interest-free loan of up to \$7,500 towards the purchase of a first home and existing homeowners claiming the standard deduction would be allowed an additional standard deduction for property taxes up to \$700 for a married couple filing jointly.

Assistance for Low-Income Rental Housing. Temporary increase in low-income housing tax credit. States would receive a temporary increase in low-income housing tax credits and \$10 billion of additional tax-exempt bond authority to provide low-interest loans to first-time homebuyers, to build low-income rental housing and to refinance certain subprime mortgages. Furthermore, under the bill, municipal bonds that are guaranteed by Federal home loan banks would be eligible for treatment as tax-exempt bonds.

Low-income housing tax credit simplification and Real estate investment trust reforms. The *Housing Assistance Tax Act of 2008* would also make necessary improvements to the low-income housing tax credit and other incentives for low-income rental housing. It would also make certain reforms to the rules governing real estate investment trusts.

Cost of Bill Offset. The cost of this bill is offset with a tax compliance provision included in the President's Budget and by delaying the effective date of a tax benefit for multinational companies that has not yet taken effect. Both offsets have previously passed the House of Representatives.

Broad Bipartisan Support This bill has bipartisan support and was reported out of the Ways and Means Committee by a vote of 35-5 (with 12 Republicans joining with 23 Democrats in support of the bill). It is supported by a number of housing organizations, including the National Association of Realtors, the National Association of Home Builders and the National Council of State Housing Agencies.

Full Committee on Mark-ups:

[Markup of H.R. 5720, the Housing Assistance Tax Act of 2008>>](#)

April 9, 2008 Markup — Full Committee on Ways and Means

CRS Reports:

[RL32781](#): Federal Deductibility of State and Local Taxes

[RS22389](#): An Introduction to the Design of the Low- Income Housing Tax Credit

[RS22841](#): Mortgage Revenue Bonds: Analysis of Section 101 of the Foreclosure Prevention Act of 2008

Organization Statements:

[Affordable Housing Tax Credit Coalition](#)

[Association of Financial Guaranty Insurers \(AFGI\)](#)

[Mortgage Bankers Insurance Association](#)

[National Association of Home Builders \(NAHB\)](#)

[National Association of Real Estate Investment Trusts \(NAREIT\)](#)

[National Association of Realtors](#)

[National Council of State Housing Agencies \(NCSHA\)](#)

[FHLB Letter](#): American Hospital Association; Council of Development Finance Agencies; Council of Federal Home Loan Banks; Mortgage Bankers Association; National Association of Health and Educational Facilities Finance Authorities; National Association of Towns and Townships

Administration Position:

(TBA)

Fact Sheets & Talking Points:

[H.R. 5720 Section by Section](#) — Committee on Financial Services

[HR 5720 Short Summary](#)— Committee on Financial Services

Press Releases, News Articles & Related Information:

[Ways and Means Passes Bipartisan Housing Tax Relief](#), Committee on Financial Services, April 9, 2008